

Alef Education Holding PLC

Increasing IT deployment boosts top line

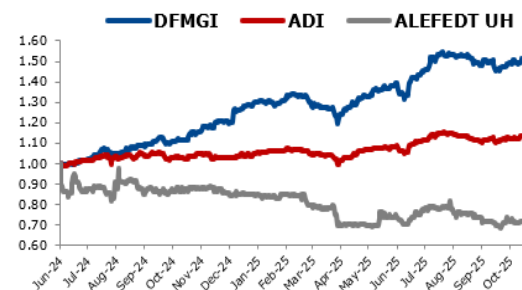
Current Price
AED 0.97

Target Price
AED 1.45

Upside/Downside (%)
+49.5%

Rating
BUY

- Signed six new contracts in 9M25 with a total contract value of AED 57 Mn.
- Added c. 4,000 new students through charter-school migration initiative.
- Serves 180 schools, with c. 122,000 paying students, capturing roughly 35% of the UAE's private school market.
- Partnered with Liquid AI to introduce on-device generative AI, enabling personalized, privacy-first learning, and boosting efficiency through advanced AI and cloud collaboration with Microsoft and G42.



Stock Information

Market Cap (AED, Mn)	6,790.00
Paid Up Capital (Mn)	70.00
52 Week High	1.20
52 Week Low	0.91
3M Avg. daily value (AED)	2,309,476

3Q25 Net Profit higher than our estimate

Alef Education Holding PLC (Alef Education/the Company) recorded 11.2% YOY growth in net profit to AED 132 Mn in 3Q25, higher than our estimate of AED 120 Mn. The growth in net profit is mainly attributable to higher revenue and finance income, partially offset by an increase in overall expenses and income tax charge.

P&L Highlights

Alef Education's revenue increased 9.2% YOY in 3Q25 to AED 215 Mn, supported by new contract wins and a significant increase in the support and services revenue segment. Revenue from the Education Solutions segment increased 2.2% YOY to AED 170 Mn in 3Q25, driven by an increase in the number of students. On the other hand, revenue from the Support & Services segment rose significantly from AED 13 Mn in 3Q24 to AED 46 Mn in 3Q25 due to increased adoption of the platform in schools, resulting in increased IT deployment. Alef Education's total expenses rose 7.7% YOY to AED 75 Mn in 3Q25, primarily due to higher IT asset deployment costs. Salaries and other benefits expenses increased 2.4% YOY to AED 29 Mn in 3Q25, while the technology expenses rose significantly from AED 17 Mn to AED 26 Mn. On the other hand, software licenses expenses decreased 7.2% YOY to AED 6 Mn in 3Q25. Amortization expenses grew 8.7% YOY to AED 8 Mn during 3Q25. However, legal & professional fees declined 38.8% YOY to AED 4 Mn in 3Q25, and lease expenses fell 7.5% YOY to AED 0.9 Mn in 3Q25. Consequently, marketing expenses moderated from AED 1.3 Mn in 3Q24 to AED 0.7 Mn in 3Q25. Thus, Alef Education's EBITDA grew 9.2% YOY to AED 137 Mn in 3Q25. However, EBITDA margin decreased by 4 bps YOY to 69.6% in 3Q25. Operating profit increased 10.0% YOY to AED 141 Mn in 3Q25. Alef Education's finance income rose from AED 3 Mn in 3Q24 to AED 5 Mn in 3Q25. Tax charges rose 11.2% YOY to AED 13 Mn in 3Q25.

3Q25 Result Review (AED, Mn)

Total Assets	877
Total Liabilities	163
Total Equity	715
EBITDA	150
Net Profit	132

Financial Ratios

Dividend Yield (12m)	9.94
Dividend Pay-out (%)	90.73
Price-Earnings Ratio(x)	14.55
Price-to-Book Ratio (x)	9.50
Book Value (AED)	0.10
Return-on Equity (%)	68.12

Stock Performance

5 Days	0.10%
1 Months	4.30%
3 Months	-8.49%
6 Months	3.41%
1 Year	-17.80%
Month to Date (MTD%)	4.30%
Quarter to Date (QTD%)	4.30%
Year to Date (YTD%)	-15.65%

Balance Sheet Highlights

Alef Education's net cash flow from operating activities increased from AED 77 Mn in 3Q24 to AED 217 Mn in 3Q25, driven by higher profitability and enhanced cash generation from working capital. Furthermore, cash & cash equivalents stood at AED 493 Mn in 3Q25, compared to AED 497 Mn in 2Q25. On the liabilities side, the Company has remained debt-free since its establishment. The current ratio stood at 4.7x in 3Q25, compared to 3.7x in 2Q25, and the asset-to-liability ratio stood at 5.4x in 3Q25, up from 4.2x in 2Q25.

Target Price and Rating

We maintain our BUY rating on Alef Education with a target price of AED 1.45. Alef Education's 3Q25 performance benefited from seasonal tailwinds, as the start of the new academic year and the cyclical refresh of IT devices drove higher education solution fees and support services revenue, supporting overall topline growth. The Company continues to benefit from strong revenue visibility under its long-term ADEK agreement. The Company onboarded c. 4,000 new students through the charter-school migration initiative in Abu Dhabi, taking the total student base to over 73,000, with further expansion expected beyond the guaranteed 80,000-student threshold. In the B2B and B2G segments, Alef Education signed six new contracts during 9M25, totalling AED 57 Mn, strengthening its commercial presence. A healthy pipeline across both domestic and international markets is expected to yield profitable opportunities and drive sustainable, long-term growth for the Company. The private school segment maintained strong momentum, with revenue increasing by ~AED 2.3 Mn YOY in 3Q25. The platform now serves 180 schools, with around 122,000 paying students, representing c. 35% of the UAE's private school market. Supported by high customer satisfaction, Alef achieved a 91% retention rate and c.50% YOY ARR growth, underscoring its scalability, strong client engagement, and long-term growth visibility. The Company's Miqyas Al Dhad reached 90% completion as of 3Q25 and is set to be launched during 4Q25. The product is being developed in partnership with MetaMetrics for Arabic language teaching, learning, and literacy. The Company secured its first commercial contract in the UAE, supported by a strong pipeline of opportunities expected to drive further momentum into 2026. Miqyas Al Dhad platform is well-positioned to reinforce Alef Education's leadership in Arabic language learning and to broaden its presence within the regional education ecosystem, adding a key long-term growth driver to the portfolio. Furthermore, the Company seeks to capitalize on new expansion opportunities through organic growth and strategic partnerships. To enhance innovation and strengthen its AI capabilities, Alef Education partnered with Liquid AI to develop on-device generative AI models. This collaboration aims to deliver more personalised, efficient, and privacy-preserving learning experiences at scale. These initiatives highlight Alef's ongoing commitment to global expansion, ecosystem development, and sustainable growth. The Company also enhanced its product portfolio, introducing new Arabic reading Pathways for Grades 3–10 and expanding learning resources across Math, Science, and English. In addition, the Company also launched a comprehensive Arabic assessment covering reading, writing, listening, and speaking skills, while its supplementary platforms, Arabits and Abjadiyah, have been upgraded to improve learning outcomes further. Looking ahead, Alef Education remains on track to meet its FY 2025 financial guidance, projecting revenue growth of 3–4%, EBITDA growth of 8–9%, and net profit growth of 7–8% (upward revision from previous 6–7%). The Company maintains a debt-free balance sheet, providing strong financial flexibility to capitalize on growth opportunities and support ongoing operational expansion. Moreover, in line with its dividend policy, Alef Education committed to a minimum annual dividend payout of AED 135 Mn to free-float investors for 2025, including an interim dividend of AED 67.5 Mn distributed in August 2025. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

Alef Education - Relative valuation¹

(at CMP)	2024	2025F
PE (x)	11.41	13.93
PB (x)	8.86	8.15
EV/EBITDA	12.25	11.33
BVPS	0.108	0.118
EPS	0.084	0.069
DPS ²	0.100	0.100
Dividend yield	10.3%	10.3%

FABS Estimates & Co Data

¹ Note – Alef Education listed on ADX in June 2024. Thus, the financial multiple for the prior period is unavailable. ²Note – DPS is for free float shareholders.

Alef Education – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	197	178	215	199	8.4%	9.2%	21.3%	759	786	3.5%
Salaries and other benefits	-28	-26	-29	-29	-0.4%	2.4%	11.4%	-122	-123	0.8%
Technology expenses	-17	-8	-26	-17	47.4%	48.3%	NM	-66	-74	11.8%
Software licenses	-7	-7	-6	-8	-19.0%	-7.2%	-5.9%	-27	-27	-1.6%
Amortization for intangible assets	-7	-9	-8	-10	-19.0%	8.7%	-10.6%	-31	-37	17.7%
Legal and professional fees	-6	-2	-4	-2	94.7%	-38.8%	113.6%	-17	-12	-29.9%
Depreciation on P&E	0	-1	0	-1	-61.8%	NM	NM	-2	-3	NM
Lease expenses	-1	-1	-1	-1	-13.5%	-7.5%	-4.0%	-4	-4	2.0%
Marketing expenses	-1	-1	-1	-1	-7.8%	-45.7%	44.7%	-6	-3	-53.4%
Other income/ (expense)	-1	0	0	0	-8.2%	NM	NM	-5	12	NM
Total Expenses	-70	-53	-75	-69	8.1%	7.7%	41.5%	-280	-272	-3.0%
EBITDA	137	135	150	142	5.9%	9.2%	11.0%	516	558	8.0%
EBIT	128	125	141	129	8.6%	10.0%	12.8%	479	514	7.3%
Income from financial assets	0	0	0	0	NA	NA	NA	0	0	NA
Interest inc from a related party	0	0	0	0	NA	NA	NA	0	0	NA
Finance income	3	4	5	3	66.7%	58.6%	28.2%	13	16	25.7%
Profit before tax	131	129	146	132	9.9%	11.2%	13.2%	492	530	7.8%
Income Tax Expense	-12	-12	-13	-12	4.8%	11.2%	13.2%	-44	-48	7.9%
Net Profit	119	117	132	120	10.4%	11.2%	13.2%	447	482	7.8%

FABS estimate & Co Data

Alef Education - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Operating Profit	64.7%	70.2%	65.2%	48	-496	63.1%	65.4%	233
EBITDA	69.7%	76.1%	69.6%	-4	-649	68.0%	71.0%	299
Net Profit	60.4%	65.9%	61.5%	110	-440	59.0%	61.4%	244

FABS estimate & Co Data

Key Developments:

- **07 Feb 2025** - Alef Education took part in ministerial discussions held in Jakarta to strengthen educational collaboration between the UAE and Indonesia. During the visit, the company signed several MoUs to introduce and expand its AI-powered education solutions across Indonesian schools. These agreements align with Indonesia's national priorities on human capital development and the digital transformation of its education sector.
- **06 March 2025** - Alef Education announced its inclusion in the Reuters Vision 2045 campaign, highlighting its AI-driven education solutions that support the UN Sustainable Development Goals. The documentary features insights from Alef Education's leadership and testimonials from users in the UAE and Indonesia. Operating across 7,000 schools in multiple countries, Alef Education serves over 1.1 Mn students worldwide through platforms such as Alef Platform, Alef AI Tutor – Ask Dhabi, Arabits, and Abjadiyat.
- **07 March 2025** - Alef Education announced that Miqyas Al Dhad, its partnership initiative with MetaMetrics, was showcased at the Sharjah Education Summit, emphasising the role of structured linguistic frameworks and technology in advancing Arabic literacy. The initiative received an award and conducted sessions focused on Arabic education frameworks, data-driven tools, and collaborative literacy strategies. Miqyas Al Dhad aims to strengthen Arabic literacy among K–12 students across the Arab world through innovative, research-based learning solutions.
- **08 Oct 2025** – Alef Education, in collaboration with the Abu Dhabi Civil Defence Authority, launched Phase 2 (2025–2029) of the Bader Educational Awareness Project. This new phase will extend the program to 548 schools, reaching c. 480,000 students and 19,000 teachers across the UAE. It introduces an annually updated safety curriculum for students in grades K–12. Phase 1 (2021–2024) successfully covered 357 schools, enhancing students' preparedness and awareness in emergency and safety situations.

Valuation:

We use Discounted Free Cash Flow (DCF), Dividend Discount Model (DDM) and Relative Valuation (RV) to value Alef Education. We have assigned 70% weight to DCF, 15% weight to DDM and 15% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.53	70.0%	1.07
Dividend Discount Model (DDM)	1.52	15.0%	0.23
Relative Valuation (RV)	1.01	15.0%	0.15
Weighted Average Valuation (AED)			1.45
Current market price (AED)			0.97
Upside/Downside (%)			+49.5%

1) DCF Method:

Alef Education is valued using free cash flow to Equity. We have discounted the cash flow using the weighted average cost of equity of 8.4%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 0.85 and an equity risk premium of 4.5%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,280
Terminal value (AED, Mn)	8,405
FV to Common shareholders (AED Mn)	10,685
No. of share (Mn)	7,000
Current Market Price (AED)	0.97
Fair Value per share (AED)	1.53

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	482	514	558	609	666	769
D&A	41	48	48	48	48	50
Net Capex	-73	-40	-42	-44	-47	-49
Change in working capital	-37	-31	-34	-39	-43	-56
Free Cash Flow to Equity (FCFE)	413	491	530	573	625	713
Discounting Factor	0.96	0.88	0.81	0.75	0.69	0.64
Discounted FCFE	99¹	434	431	430	432	454

Source: FAB Securities, ¹Adjusted for partial year

2) DDM Method:

Alef Education maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company intends to distribute dividends semi-annually, with the initial payment occurring in the first half of the year and the subsequent payment in the second half. The dividends are expected to be paid in cash. Alef Education intends to distribute 90% of its net profit as dividends in 2025. The dividend is forecasted based on the management estimate. All forecasted dividends are discounted to present value using the cost of equity. Details related to the cost of equity calculation are provided above. We have also calculated our terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,501
Terminal value (AED, Mn)	8,161
Equity Value (AED, Mn)	10,662
No. of shares (Mn)	7,000
Current Market Price (AED)	0.97
Fair Value per share (AED)	1.52

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend paid in -						
H1	217	231	251	274	300	346
H2	217	231	251	274	300	346
Free Cash Flow to Equity (FCFE)	434	463	502	548	599	692
Discounting Factor	0.96	0.88	0.81	0.75	0.69	0.64
Discounted FCFF	417	409	409	411	414	441

Source: FAB Securities

3) Relative Valuation:

We have used an average of EV/EBITDA and P/E multiple to value Alef Education. It is valued at a 2026 P/E multiple of 16.4x and an EV/EBITDA multiple of 8.8x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Blackbaud Inc	3,266	10.6	9.9	15.4	13.9
Stride Inc	3,032	9.6	4.9	17.7	8.5
3P Learning Ltd	109	11.7	7.6	17.9	10.8
D2L Inc	705	19.1	18.4	59.9	44.4
ELM	19,695	28.8	24.0	32.8	28.9
Coursera Inc	1,383	9.6	7.7	21.7	18.9
Average		14.9x	12.1x	27.6x	20.9x
Median		11.1x	8.8x	19.8x	16.4x
Max		17.3x	16.3x	30.0x	26.4x
Min		9.9x	7.6x	17.8x	11.5x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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